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# Rep. Doug Ericksen

## State Budget Update CONTROLLING TAXES & MAKING GOVERNMENT WORK

November 2001

Dear Friends,

This time last year, state reserve accounts were flush with surplus tax money. Since then, however, government's penchant for spending, combined with our slowing economy, has placed the state budget in a much different situation.

We are in just the fifth month of a two-year budget cycle, and it appears the state budget is at risk of going in the red. When the Legislature convenes in January, lawmakers will be pressed to make difficult decisions to bring the budget into balance and protect important state services for the citizens of Washington.

Frankly, these are decisions that should have been made months ago. Our economy showed signs of slowing when we were building this budget. Instead of making responsible budget choices, however, the Legislature adopted a budget that spends more than we can afford. Lawmakers didn't use fiscal restraint, and instead chose to adopt a budget that increased spending by 8 percent. I simply could not support such a dangerous and irresponsible spending plan.

I voted against the budget last session because I believed it would needlessly hurt families. Our options were quite clear: either adopt a sensible budget that requires state government to live within its means, or be forced to increase taxes. The bottom line is that the poorly planned budget adopted just a few months ago will require one of two drastic actions. The Legislature will be forced to break promises by cutting some programs, or it will be forced to raise your taxes. Lawmakers should have used the same discipline a family uses when facing difficult times. Unfortunately, that didn't happen and we must now face the music.

How did this happen and what can lawmakers do to make better use of your money? These are some of the questions I've tried to answer for you in this budget update. There are tough challenges ahead, but I am confident we can avoid needless tax increases and protect the citizens we represent by creating a responsible, sustainable state budget.

Please feel free contact me if you have any questions or comments on this or any other issue of importance to you.

Sincerely,

Doug Ericksen  
State Representative  
42<sup>nd</sup> District

## BUILDING A STATE BUDGET

The state spending plan actually consists of three separate budgets:

- 1) The operating budget
- 2) The transportation budget and
- 3) The capital budget.

These budgets are paid for through different funding sources. They are adopted every two years, with the current biennium beginning July 1, 2001 and ending June 30, 2003. However it is normal to make adjustments each year in these budgets to pay for unforeseen emergencies and unexpected needs, such as wildfire suppression, disaster relief and caseload changes.

that indicated our anticipated revenues were declining. We also knew that our required spending levels were increasing. When voters approved Initiative 728 in 2000 it added another \$393 million in required K-12 education spending. Lawmakers should have budgeted state funds with these factors in mind. Instead, we are now faced with a drop in revenues, an increase in state spending and a complete depletion of our safety net of budget reserves. However with the level of spending in the budget combined with declining revenues, some analysts anticipate that we will be facing a deficit in the general fund of close to \$1 billion. Legislators will be forced to make real cuts to the operating budget this year if we are to bring it back into balance without raising taxes. (See more below.)

## TRANSPORTATION BUDGET

The transportation budget funds highway construction, ferry services, transit services, the Washington State Patrol, and other transportation-related items. The 2001-03 state transportation budget totals \$3.4 billion, but it is widely considered insufficient to meet our state's growing transportation needs. The current budget does not provide funding for new road construction projects over this period — only maintenance and preservation of existing highways.

Lawmakers were unable to reach an agreement during the 2001 session on a new revenue plan that would provide funding for new projects to relieve traffic congestion and make highways safer.

Among the key sticking points has been whether the public should be allowed to vote on any new taxes needed to fund the plan. Republicans in the House have insisted that we first must earn the trust of the public by showing that we will use your tax dollars well; only then can we ask the public if it will support a tax increase. I strongly believe that the public will have the final say; either by the Legislature sending the tax increases to a vote, or by referendum on new tax increases.

## OPERATING BUDGET

The budget we most commonly refer to is the state operating budget, which includes appropriations from the general fund and other dedicated accounts for general government operations. This includes funding for schools, colleges and universities, human services, natural resource management and other general needs.

The current 2001-03 general fund budget, crafted by Democrat lawmakers, totals \$22.8 billion. The 2001-03 general fund budget, crafted by Democrat lawmakers, totals \$22.8 billion and spends nearly \$800 million more than anticipated revenues. The decrease in state revenues is by no means an unexpected turn of events. In fact, when lawmakers adopted the budget we had plenty of information

## CAPITAL BUDGET

The state capital budget covers construction and remodeling costs for state facilities, including schools, state offices, parks and other items such as habitat improvement. The 2001-03 capital budget funds approximately \$2.5 billion in construction costs over the two-year budget period.

A large share of state construction costs are funded through bonds, which are often backed by general fund revenues. Due to declining revenues, there is a fear that the state may not be able to support the level of bonding needed to pay for projects in the current budget. The governor has put a hold on borrowing for new construction projects.

Given our current revenue picture, I believe the governor’s decision to hold off on borrowing may be prudent. However, I am committed to working to ensure important construction needs are not held up unnecessarily for political reasons.

## OPERATING BUDGET POSES A CHALLENGE FOR LAWMAKERS

More difficult decisions are in store for the Legislature, as our state’s economy continues to slow and lawmakers work to protect important services. Just five months into our two-year budget cycle, it looks as though lawmakers will be forced to cut services in order keep the Democrats’ budget in balance.

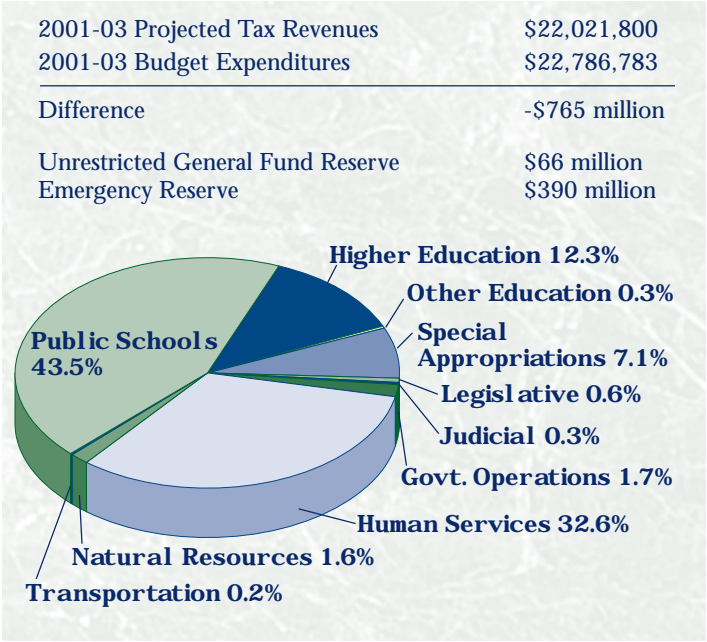
The collection of tax revenues has been steadily slowing over the past several months due to our cooling economy. Meanwhile, health care costs are rising substantially, we’ve incurred \$10 million in emergency expenses fighting wildfires this summer, and security issues at schools and other public facilities has become a paramount concern.

With the budget challenges that we face, we also have new opportunities. The citizens of Washington have created a clear path for us to follow. They have told us in no uncertain terms to make government run better without raising taxes. I am hopeful that the Legislature will make the necessary changes to unleash the creative power of our private sector and allow our public employees to innovate government services.

It will require a genuine bipartisan effort to bring this budget back into balance and make it sustainable over the long term — without the need for new taxes.

## BRINGING A BUDGET INTO BALANCE 2001 - 03 BUDGET PICTURE

The latest economic forecast released in September showed a drop in tax revenue of more than \$100 million in the current biennium, and that was before economists had a chance to factor in the effects of the Sept. 11 attack on our state and national economy. Some economists warn that we eventually could have a budget shortfall of close to \$1 billion.



Approximately 43.5 percent of the \$22.8 billion general fund budget goes toward K-12 education — an area lawmakers would rather not cut. The governor has asked seven of the largest state agencies to prepare contingency cuts of 15 percent from their budgets. The agencies he’s targeted for cuts include the departments of Social and Health Services, Corrections, Community Development, Health, Ecology, and Fish and Wildlife, as well as the Office of Trade and Economic Development.

I was pleased to hear the governor say that the budget will be brought back into balance without raising taxes. I am committed to working with him in a bipartisan manner to accomplish this.

## NO HOST “COFFEE WITH YOUR LEGISLATOR”

Knowing your views helps me to be an effective legislator. Please join me at one of the following locations and share your thoughts with me on the issues of importance to you!

<b>BELLINGHAM</b> Monday, December 3 7 a.m. - 8:15 a.m. Little Cheerful Café 133 E. Holly Street	<b>FERNDALE</b> Tuesday, December 4 7 a.m. - 8:15 AM Mounts Café 1860 Main Street	<b>BLAINE</b> Thursday, December 6 7 a.m. - 8:15 a.m. The Harbor Café 295 Marine Drive
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